# Welcome to the FHA Appraisalownersh Inspection Requirements Webinar

Scheduled Start: 9:00 AM Mountain - We will be underway shortly -

All audio for this webinar is through your computer – there is no separate call-in number

Please ensure that you are able to receive sound through your computer and that your speakers are un-muted

If you have any technical or audio issues – please review the **Support for Technical Issues** document by clicking on the **Supporting Material Button** located just below this screen

#### **Important Things to Know**



#### **Question and Answer Format**

- Utilize "Ask a Question" button on your screen
- > Audio/Technology questions utilize the "Help" button
- Questions will be answered at the end of the presentation

#### **Supporting Material**

- > A copy of this Power Point presentation
- > A PDF version of the presentation
- > Frequently Asked Questions related to technical issues (PDF)

If you have audio issues or the slides stop advancing – simply refresh or reload the page displaying the webinar



# FHA Appraisal Inspection Requirements

#### **Homeownership Centers**





#### Resources



#### **Resource Center:**

www.HUD.gov

800-CALLFHA (800-225-5342)

E-Mail: answers@hud.gov

Knowledge Base: www.hud.gov/answers

#### **Objectives**



Learn FHA Appraisal inspection requirements for 1004 - URAR, 1004C - Manufactured Housing, 1073 - Condominiums, and 1025 - the 2-4 unit properties including:

- Exterior dwelling inspection
- Interior dwelling inspection
- Site analysis
- External influences
- Comparable inspection requirements
- Subject's title transfer and listing history

#### **Further Objectives**



- Minimum Property Requirements /Standards
- Special considerations: new construction, unique homes, and atypical situations
- Resources
- Answer your questions and Valuation FAQs

#### **Subject History**



- The subject's history must be inspected, analyzed and reported.
  - Prior sales 3 year history
  - Prior transfer 3 year history
  - Listings 12 month history
  - For Purchase Transactions Full contract and sales concession, if any, analysis is required
  - 3 year assignment reporting for any services performed by the appraiser



Foundation issues:

- Evidence of failure, cracked masonry, windows and doors not square, or shifting
- Signs of previous repair/jacking
- Grading toward the dwelling
- Insufficient gutters/downspouts



- Structural issues signs of failure
  - Cracks in mortar or supporting walls
  - Signs of prior foundation repair



Structural issues – signs of failure







Foundation issues:





Foundation issues:



1-800-CALL FHA



Foundation issues:





Structural issues – signs of failure

Not all issues are obvious from the street.







- Photographs all sides must be photographed
  - Existing Construction two photos opposite angles is usually sufficient
  - Street scene

 New construction – photograph of grading must be included

 Photographs – added amenities must be photographed.



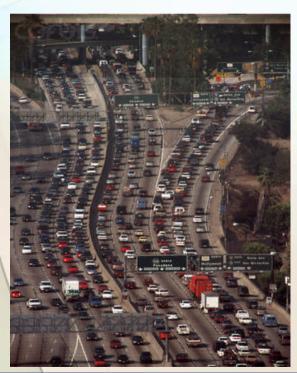
Positive influences: superior views, outbuildings, extensive landscaping that contributes to the value/marketability







- Photographs deficiencies must be photographed.
  - Negative influences: failing systems, deferred maintenance, external obsolescence (high traffic, commercial activity, etc)





FHA- Serving the American Homebuyer Since 1934



Crawl Space - head and shoulders inspection of the crawl space:

- Verify that the space is adequate for maintenance and repair (recommended 18 inches)
- Support beams not intact
- Dampness or ponding of water
- Adequate ventilation

Slab -check for cracks that could affect structural soundness

# **Crawlspace Inspection**

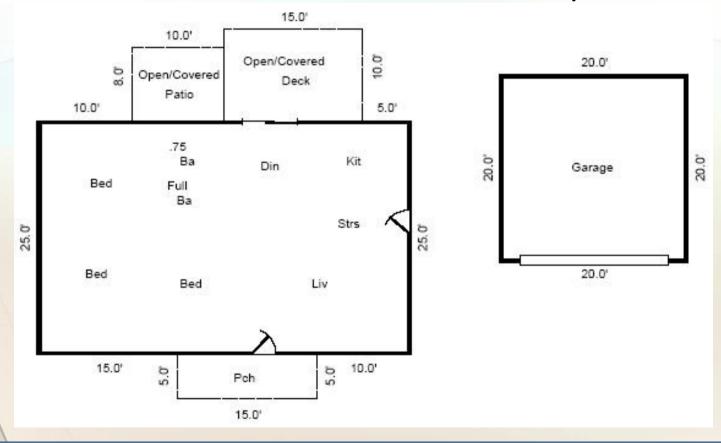


• Foundation issues:





• GLA – Exterior measurements all improvements





- Electric panel sufficient to accommodate the appliances in the home?
- An updated home with new kitchen appliances, should have an updated service panel to accommodate the added load.





 Any evidence of failure, atypical wiring, or uncapped wiring





Failing, chipping, peeling paint issues:

• Pre 1978 – lead based paint issue, must be

called for repair



 Post 1978 – exterior issue that could cause structural damage, must be called for repair



- Roofs
  - A 2 year life expectancy, or call for inspection
  - Any signs of failure must be called for repair

 Flat or unobservable roofs – must be inspected thoroughly on the inside of the dwelling for signs of







- Remodeling Identify specific recent improvements
- Effective age must be consistent with condition, actual age, and any updates
- Check a representative number of windows to ensure operation
- Obsolescence -
  - Physical deferred maintenance, lead based paint
  - Functional –i.e., 8 bedrooms /1 bath; exterior bedroom access



- Mechanical Systems
  - Furnace/AC must turn on unless doing so may cause damage to compressor (AC)
  - Plumbing signs of failure, insufficient flow
  - Electricity Check a representative number of outlets in each room
  - Appliances operational



#### Question:

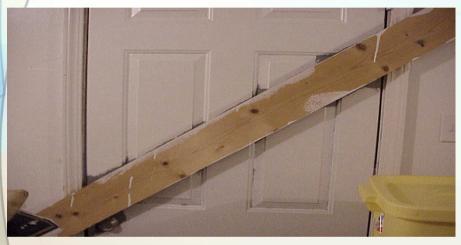
 Utilities and Water is off, or the home is vacant and has been winterized?



- Bedrooms proper egress required
  - Closets are not required, however appraiser should account for effects on marketability if any
- Bars on bedroom windows must have quick release latch
- Bars on other windows check with local jurisdiction or fire department for compliance



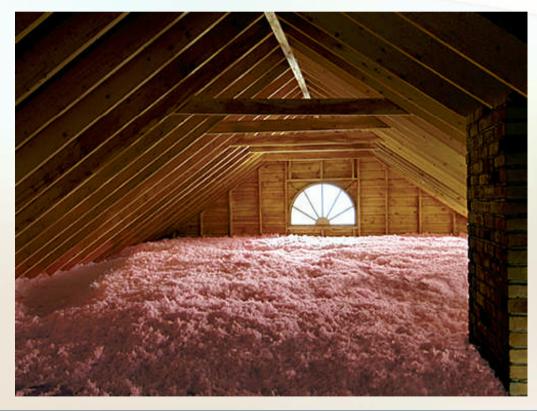
All interior spaces/rooms must be inspected







•Attic – head and shoulders inspection of the entire space.





 Basement – inspect perimeter and floors for signs of failure, cracked walls, or water damage



1-800-CALL FHA



 Basement – inspect perimeter and floors for signs of failure, cracked walls, or water damage





Signs of failure - cracked walls or ceilings



#### **Dwelling Inspection**



Creative construction techniques that should be called for an inspection



# **Dwelling Inspection**



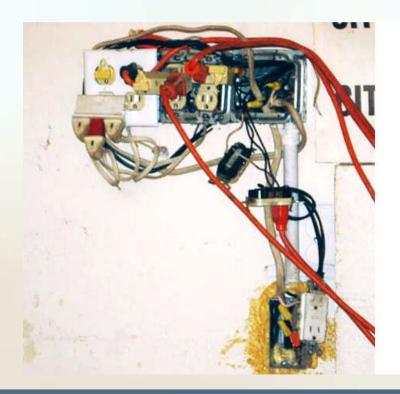
Creative construction techniques that should be called for inspection



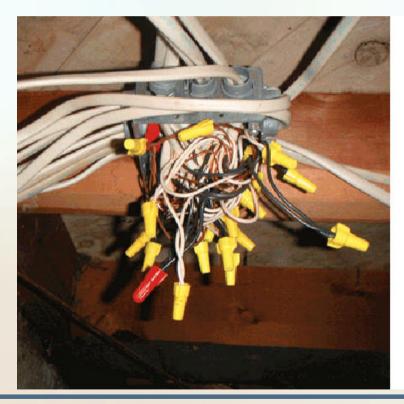












FHA- Serving the American Homebuyer Since 1934



Creative construction techniques that should be called for inspection



www.hud.gov

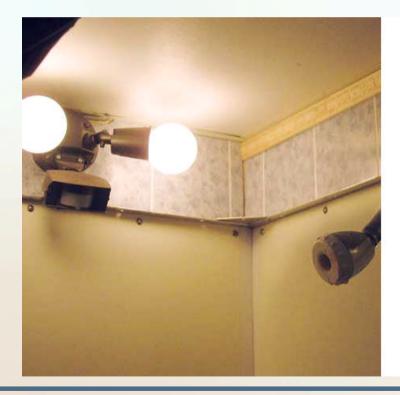














- Exterior influences/obsolescence
  - Gas stations, dumps, landfills, industrial/commercial uses
  - Agricultural use within ¼ mile
  - Hazardous materials, smoke fumes, offensive noises or odors
  - Presence of pools of liquid, pits, ponds, lagoons, stressed vegetation, stained soils or pavement, drums or odors



- Walk the site
  - Easements
  - Shared or private roads
  - On site easements utility towers/lines
  - Underground storage tanks
  - Signs of settling, slush pits, abandoned wells
  - Well septic distances
  - Encroachments: either subject improvement or the neighboring improvements



### **Does Septic Tank Comply With Local Code?**





### Probably Not An Acceptable Septic





Septic line ends just past the property line





Is the appraiser required to report well, septic, and property line distances?

Answer: NO

- The appraiser is not required to sketch the distances; however, should be aware of the distances, and if discernible, comment on them.
- Requesting a copy of a survey is recommended.

# Well and Pollution Source Distances



Source of pollution	Minimum horizontal distance (feet)		
•Property Line		10 (EP*)	
•Septic Tank		50	
•Absorption ( <b>Drain</b> ) Field	(SUP1)	100 (EP*)	
•Seepage Pit	(SUP1)	100	
<ul><li>Absorption Bed</li></ul>	(SUP1)	100	
•Sewer Lines with Permanen	nt Watertight Joints	10	
•Other Sewer Line		50	
•Chemically Poisoned Soil	(SUP3)	25	
•Dry Well		50	
•Other	(SUP2)		
Asterisk = Existing Properties	s SUP# = Supplemental Req	uirements	

FHA- Serving the American Homebuyer Since 1934

EP=See ML 2002-25



- Individual Water Supply & Sewage Systems
  - Report availability of connection to public or community water/sewer system
  - Lender determines feasibility



Is a well located within the foundation walls of a dwelling acceptable?

Answer: Only in Arctic or sub-arctic regions. however...

- New construction: Not acceptable, except in arctic or sub-arctic regions.
- Existing construction: must comply with local jurisdiction and be permitted. Lender must submit to the HOC for a waiver.



Are shared wells acceptable?

Answer: Yes, However...

- Shut off valve on each service line leaving the well
- Maximum of 4 properties per well
- Directly connected to the pump (not through another dwelling)
- Covered by an acceptable well-sharing agreement in title.



- Site Hazards & Nuisances
- Note evidence or existence of operating or abandoned oil/gas wells, and distance from subject
  - Existing Const. 300' from active or proposed drilling site
  - New/Proposed Construction 75' from an operating well
  - Abandoned Well 10' (w/letter from State authority)



- Site Hazards & Nuisances
- Airport Noise and Hazards
   (Handbook 4150.2, paragraph 2-2 G and H)
- Runway Clear Zones/Accident Potential Zones
  - Existing properties: Condition appraisal on buyer acknowledgement. (<u>HB 4150.1 chapter</u> 4-26 a and b)
  - New construction not eligible if located in these zones



Is a property located less than 100 feet from a train tracks acceptable?

Answer: YES

- Proximity to railroad tracks does not render property unacceptable
- Property must have marketability



Site Hazards & Nuisances

Overhead High Voltage Transmission Towers and Lines

Appraiser must indicate whether the dwelling or related property improvements are located within the easement





#### Site Hazards & Nuisances

- Proximity to high pressure gas lines
- Dwelling and related improvements may not be located less than 10' from the pipeline easement boundary
- Propane tanks, used for heating purposes
  - must be safe distance from the dwelling
  - cannot be located in crawlspace



Site Hazards & Nuisances

Unacceptable Locations
environmental contaminants
noxious odors
offensive sites
excessive noises

### **External Influences**



- Positive or negative provide photographs
  - Golf courses and greenbelts
  - Views good or bad
  - Gas stations
  - Railroads
  - Freeways
  - Hazardous waste sites

# **Comparable Inspection**



- Comparable sales must be photographed by the appraiser – Scope of Work
  - MLS photos are unacceptable as the primary photo

### **Minimum Property Requirements**



- Minimum Property Standards (MPS) new construction
- Minimum Property Requirements (MPR) existing construction

#### **Code Compliance:**

 Enforcing, interpreting, or determining compliance with local codes and regulations is the responsibility of local authorities not appraisers, however appraisers should look for signs of failure or faulty construction.

### **Minimum Property Requirements**



#### Party Wall:

- Buildings constructed on, or to a property line must be separated from the adjoining building by a wall extending the full height of the building from the foundation to the ridge of the roof
- A Party Wall agreement is required for all party walls that are not covered by an HOA
- Must have adequate space between buildings to permit maintenance

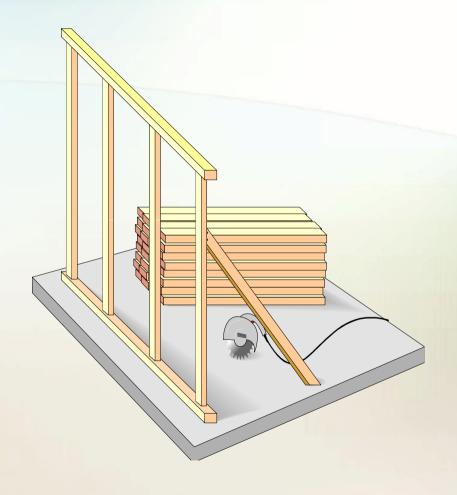
### **Minimum Property Requirements**



- Private Road Access & Maintenance
- Private streets must be protected by permanent recorded easements <u>or</u> owned and maintained by HOA
- Shared driveways must be protected by permanent recorded easements
- Maintenance agreement not required



The Code of
Federal Regulations
(CFR) governs that the
determination of a highratio FHA loan depends on
the stage of construction.





- Defining the correct stage of Construction is important
  - Check the appropriate box:
    - Existing
    - Proposed
    - Under Construction





### What Stage of Construction?



1-800-CALL FHA



### What Stage of Construction?





### What Stage of Construction?



1-800-CALL FHA

What Stage of Construction?







#### Required Construction Exhibits for Appraiser

- Proposed or Under Construction <u>less than 90% complete</u>
- Builder's Certification of Plans, Specifications and Site
  - Appraiser to comment on any discrepancies existing between what he/she observes at the site and what was certified to by the builder (HOC Ref Guide 1-8C)
  - Lenders must resolve any noted discrepancies
- Complete set of Plans and Specifications
- Description of Materials
- Appraise "... subject to completion per plans and specifications ..."
- Final inspection by a fee inspector

### **Builder's Certification**

(form HUD-92541)



Builder's Certification of Plans, Specifications, & Site U.S. Department of Housing and Urban Development Office of Housing Federal Housing Commissioner

OMB ApprovatiNo. 2502-0495 [exp. 05/90/2005]

Peope by Address (street, city, State, & zip code)	Subdivision Name		
Mirrigageels (Lenderts) Name & Address (this is the lender who diseed the loan)	FHA Case Number  Phone Number		
Site Analysis information: To be completed on all proposed and see ly constructed properties	regardless of LTV ratio.		
<ol> <li>Rio od Hezerde. Are the property in provements in a Special Flood Plaza of Asea (SFPA)?</li> <li>Provide the community number and date of the Flood Issurance Rate Map (FIRM) used to your assess. Community Number.</li> </ol>	document	Yes	∐No
2) In the community participating in the Historial Flood Insurance Program and in good state 9) If "Yes" to its above, attach: (f) a Letter of Blap Amendment (LOBIA) or; (f) a Letter of Blap Revision (LOBIA) or (fit) a signed Elevation Certificate documenting that the lowest floor (including basement) in CER 200,925d(c)(4).		□ Yes	□No
<ul> <li>b. Notice. Is the property located within 1000 feet of a highway, freeway, or heavily insveled to Within 2000 feet of a militard?</li> <li>Within one mile of a civil midfeld or 5 miles of a military sirtleid?</li> <li>c. Numeray Clear Zones / Clear Zones. Is the property within 2000 feet of a civil or rationly shift "Yes," is the property in a Rameny Clear Zone?</li> <li>d. Explosive/Planmable Materials Storage Hazard. Does the property have an unobstructed version.</li> </ul>	riieki?	Yes Yes Yes Yes	No No No No No
of any facility handing or storing explosive or tire prone materials?  e. Toda Waste Historids. In properly within 2000 feet of a dump or leadill, or a site on an EPA Superfund (NPL) int or equivalent thate list?  f. Foreseeable Historide or Aldrense Conditions.			□ No □ No
(1) Does the site have any rook formations, high groundwater levels, inadequate surface on (2) Does the site have unstable softs (expansive, collapsible, or endible)? (2) Does the site have any excessive slopes? (4) Does the site have any earth (iii? If "Vies," will be satations, stabs, or flatwork rest on the (iii?	ed engineers' (sols and structural) of the structural scand seas of the	Yes Yes Yes Yes	No No No No

### **New Construction**



#### Construction Exhibits for Appraiser

- Under Construction <u>90% or more complete</u>
  - Builder's Certification of Plans, Specifications and Site
  - Appraiser notes any repairs and/or alterations required
  - Appraisal is completed "... subject to the following repairs or alterations ..."
  - Cost to cure required
  - Note: You do not need Plans and Specs and Description of Materials

# **Manufactured Housing Report Form 1004C**





www.hud.gov

# Manufactured Housing Resources



- Resource Center: www.hud.gov
- E-mail: <a href="mailto:answers@hud.gov">answers@hud.gov</a>
- Handbooks: 4150.2 & 4150.1
- Permanent Foundation Guide for Manufactured Housing (HUD-7584)
- Institute for Building Technology and Safety (IBTS)
- HOC Reference Guide
- Mortgagee Letter 09-16

# Manufactured Housing Factory Built Homes



### Manufactured Homes

#### Modular

Are constructed to comply with the Federal Manufactured Home Construction & Safety Standards.

A.K.A. Factory-Built, are constructed to comply with the local State codes and the Uniform Building Code (UBC) or International Residential Code (IRC)



## **Must Comply With All Regulations**

- The home must have been built after June 15, 1976
- Never occupied at any other location
- Be at least 400 square feet living area
- Be classified as real estate
- Licensed, local engineer must certify the foundation system is in compliance with the "Permanent Foundations Guide for Manufactured Housing" (9/96)
- If used as a model home on the dealers lot, that is okay. If moved from the dealers lot to a storage facility, this is not okay

# Manufactured Housing Labels Help Distinguish Manufactured From Modular Housing

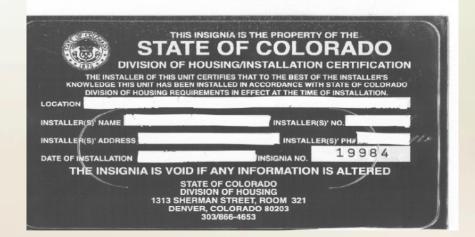


### Manufactured



Modular

# AS EVIDENCED BY THIS LABEL NO. THE MANUFACTURER CERTIFIES TO THE BEST OF THE MANUFACTURER'S KNOWLEDGE AND BELIEF THAT THIS MANUFACTURED HOME HAS BEEN INSPECTED IN ACCORDANCE WITH THE REQUIREMENTS OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT AND IS CONSTRUCTED IN CONFORMANCE WITH THE FEDERAL MANUFACTURED HOME CONSTRUCTION AND SAFETY STANDARDS IN EFFECT ON THE DATE OF MANUFACTURE. SEE DATA PLATE.





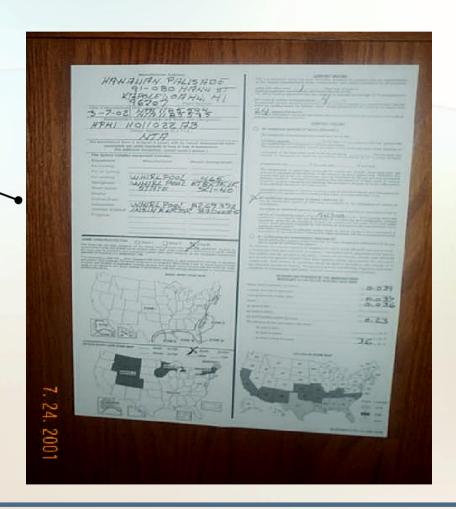




## DATA PLATE

HUD Certification Label Number

**Serial Number** 



# Manufactured Housing DATA PLATE



#### What to Look For:

- Manufacturer's Serial Number(s) or Vin Number(s)
- HUD Certification Label Number(s)
- Manufacturer's Name, Model, and date of manufacture
- Wind, Roof Load and Thermal Zones



Can the appraiser continue if the data plate is missing?

#### **Answer:**

Yes. Appraiser is to report to the lender if the Data Plate is not attached



#### **HUD CERTIFICATION LABEL**

#### **Certification Label**

 Must have HUD Certification Label affixed to the tail-light end of each transportable section



### **HUD Certification Label Location**





1-800-CALL FHA

# Manufactured Housing Serial Number (Magnified)





# Manufactured Housing Skirting





# Manufactured Housing Acceptable Skirting?





# Manufactured Housing Reconciliation



- All 1004C appraisal reports should be completed subject to a required inspection by a Licensed Engineer certifying the foundation is in compliance with the Permanent Foundation Guide for Manufactured Housing
- Remember the two exceptions to this rule:
  - HUD REO
  - FHA Streamline refinance



### **QUESTION:**

What happens if you are appraising a single family home with a manufactured house on the subject's site?

### **HUD REO**



- •REO appraisal requirements are the same as for other property types.
  - Assignment Type -"other HUD Real Estate Owned (REO) "
  - •REO properties are to be appraised "as-is"
  - •All required exhibits and a copy of the Property Condition Report (PCR)

#### Intended Use of Appraisal

•The intended use for an REO appraisal is to estimate the "as is" market value in order to provide a basis for determining the listing price of the property for marketing purposes

#### Statement of Insurability

Insurable – meets MPR /MPS
Insurable with escrow – no more than \$5000
Uninsurable - repair items exceed \$5000

A Statement of Insurability, in bold font, must be included in the Comment section of the appraisal report. The appraiser is to note those repairs necessary, together with a cost to cure, to bring the property into compliance with either MPR or MPS.

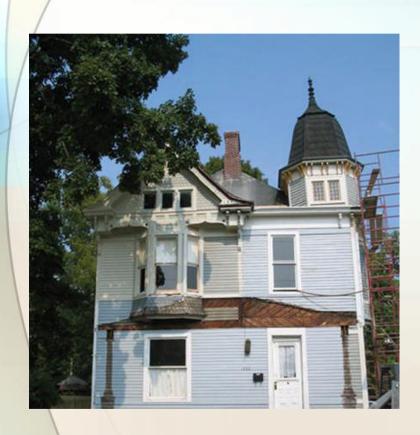
## **203K Appraisals**



- •Purchase a property and repair/renovate
  - Purchase
  - Refinance
  - Repair/renovate a presently owned property
- •Appraisal "as repaired" once all proposed rehabilitation and improvements are complete. However, lenders may request "as-is" value on the same report or on a separate URAR.
- •Appraiser should have architectural exhibits for proposed work, and must inspect the property for any conditions that would be required to meet minimum property requirements (MPR). Any health, safety, structural discrepancies should be added to the improvement plan.
- •203(k) streamline is used for non-structural repairs, up to \$35,000. "Asis" value.

# **203K Appraisals**







## **Condominium Appraisals**

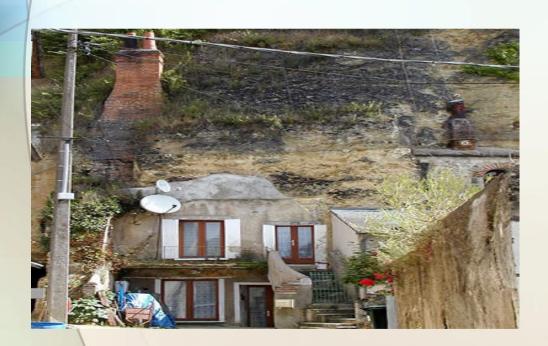


- Condominium Projects must be on our FHA Approved condominium list <u>www.hud.gov</u>
- Site Condominiums do not have to be approved.
   No shared or common walls on any portion of the project allowed.
- Manufactured housing condo projects are now eligible. The projects must be approved.

# Your Door to FHA HOMEOWNERSHIP

## Unique properties:

Dome, earth/berm, log homes









### Unique properties:

Off the grid solar homes and wind powered



www.hud.gov



Second dwelling units vs. accessory dwelling units





# How is a determination made if an Accessory Dwelling Unit is a second dwelling unit?

#### Answer:

- Determination is made by the appraiser considering zoning, highest and best use, and legal use.
- If the ADU is rented, should not categorically result in determining as a two-unit.



If the accessory dwelling unit is on a separate electric meter, does it then become a two-unit property?

#### Answer:

- An accessory dwelling unit may or may not have separate electrical service.
- The appraiser will make the determination of whether or not an ADU is a second dwelling.

## **Final Comments**



You can print this presentation for future reference by clicking on the support materials button.







#### Handbooks

- 4150.2 (6/99) Valuation Analysis
- 4150.1 REV 1 (3/90) Valuation Analysis
- 4145.1 REV 2 (12/91) Architectural Processing & Inspections
- 4905.1 REV 1 (3/91) Requirements for existing 1-4 family units
- 4910.1(7/94) Appendix K, MPS
  - Proposed construction 1-4 family



### **Mortgagee Letter Reminders**

- ML 09-16 Manufactured Housing Guidance
- ML 06-33 New Construction Architectural Exhibits Requirements for Single Family Properties
- ML 05-48 FHA Repair and Inspection Requirements for existing properties and revisions to FHA Appraisal Protocol
- ML 02-25 Minimum Distance Requirements Between Private Wells and Sources of Pollution for Existing Properties



### **Resource Center:**

www.HUD.gov

800-CALLFHA (800-225-5342)

E-Mail: <a href="mailto:answers@hud.gov">answers@hud.gov</a>

Knowledge Base: www.hud.gov/answers